ANNUAL REPORT 2019

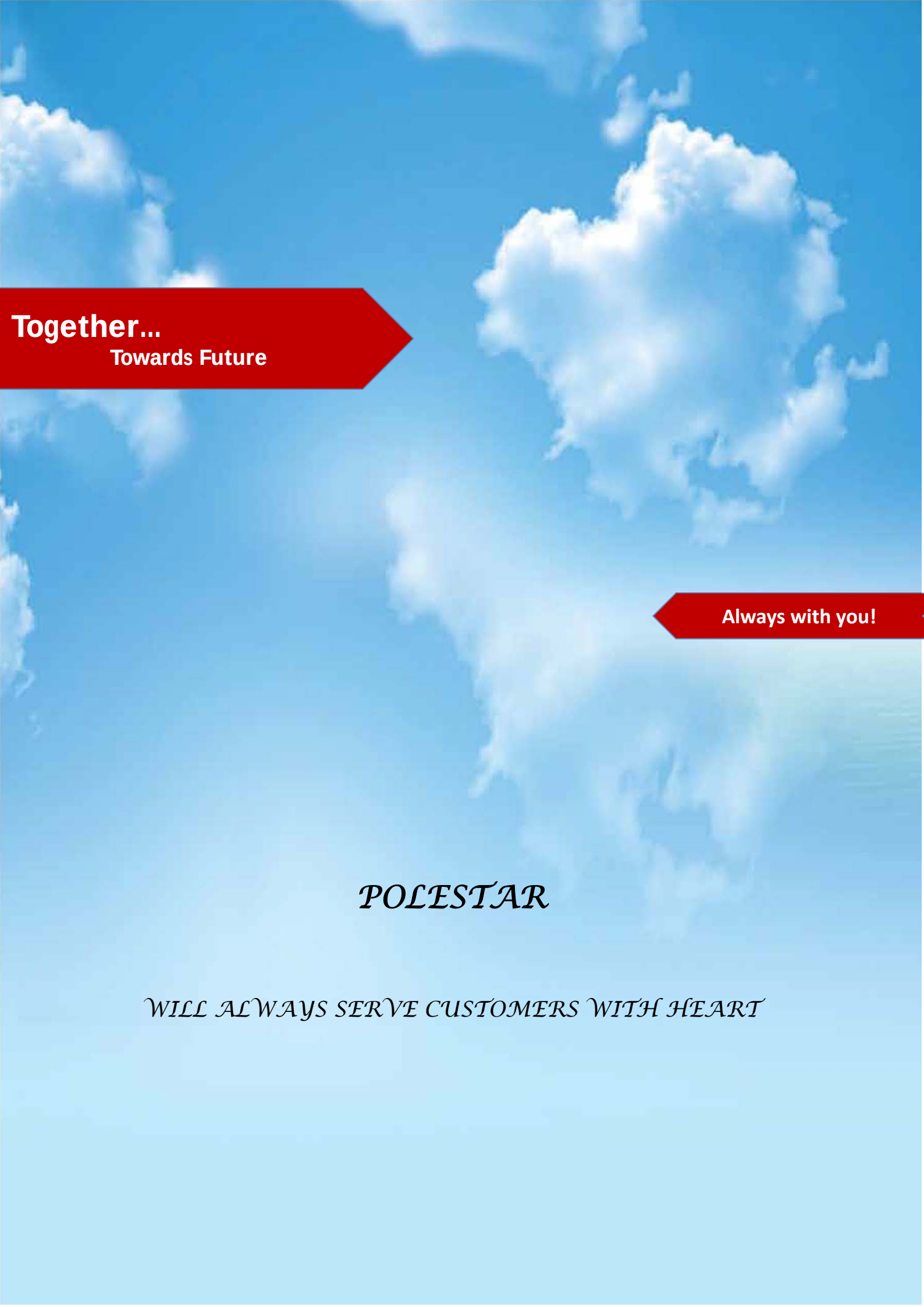
Polestar

Insurance

Company

What we strive for:

Remaining loyal to our commitment to become the preferred company by providing our customers and partners with Attentive, Agile & Accurate services closely followed by tangible benefits.


Together...
Towards Future
Always with you!
POLESTAR
WILL ALWAYS SERVE CUSTOMERS WITH HEART

2019

Annual Report
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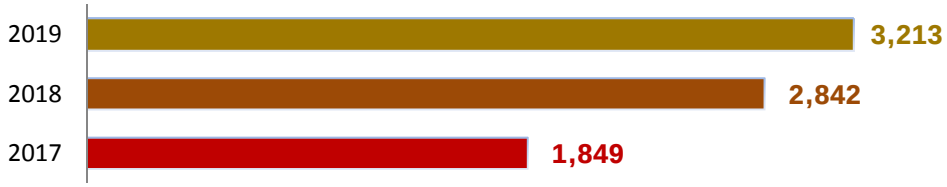
FINANCIAL HIGHLIGHTS

KPW in Million

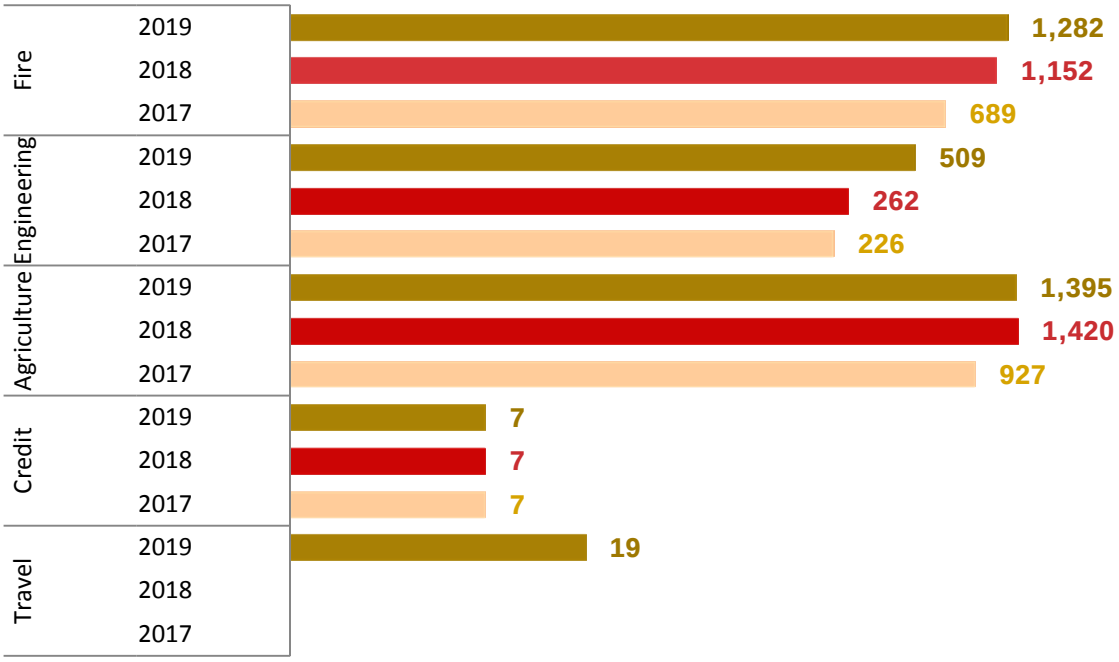
	2016	2017	2018	2019
Total assets	7,223	8,136	8,872	8,981
Total equity	7,022	7,602	8,046	7,914
Paid-up Capital	3,000	3,000	3,000	3,000
Gross Premium Written	240	1,849	2,842	3,213
Net Earned Premium	50	1,568	2,516	2,820
Gross underwriting provisions	199	486	749	973
Cash and cash equivalents	7,104	7,908	8,659	8,765
Total liabilities	1	47	78	93
Net profit/net loss	22	580	444	(132)
Combined Loss ratio (%)	48	48	75	104

KEY INDICATORS

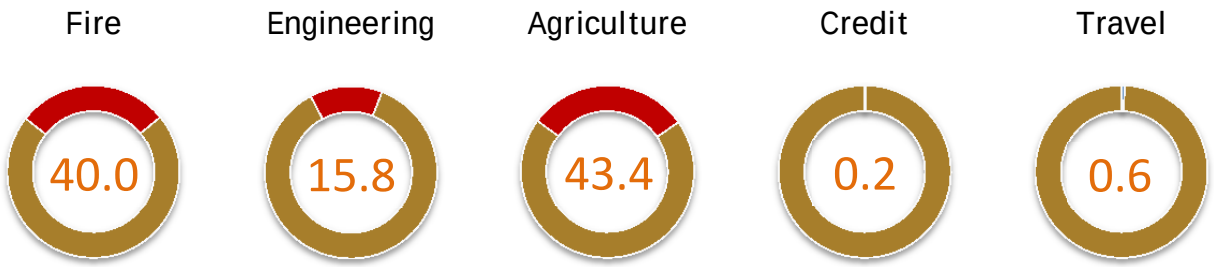
Gross Premium Income (KPW in Million)



Class-wise Premium Income (KPW in Million)



Breakdown of Premium Income by Class (%)



CORPORATE PROFILE

SOLID AND INDEPENDENT INSURER

Polestar Insurance Company ("the Company) is a non-life insurance underwriting firm fully capitalized in line with statutory requirement of the industry regulatory body-State Insurance Commission.

The Company was established on 22nd August 2016 and commenced its operations in September the same year. The company has carved out a niche for itself through transactions in non-life insurance underwriting including Fire, Engineering and Agricultural Insurance, amongst others.

PRINCIPAL ACTIVITIES

The Company is principally engaged in various kinds of insurance providing risk underwriting services to its customers. Such services include provision of non-life general insurance services to both corporate and individual customers as under:

Products & Services

1. Fire
   - Fire and Allied Perils
   - Business Interruption
   - Industrial All risks
2. Engineering
   - Contractor's All Risks
   - Erection All Risks
   - Machinery Breakdown
   - Machinery Loss of Profit
   - Civil Engineering Completed Risks
3. Agriculture
   - Rice
   - Maize
   - Potato
   - Cash Crop
   - Fruit
   - Aquaculture
4. Credit
5. Travel

REINSURANCE PROGRAMME

The equity of the Company, the interests of the customers and the financial stability of the company are further guaranteed through a reinsurance program, which aims to protect the insurance portfolio in the event of adverse or catastrophic insurance events. The program was prepared on the basis of a thorough analysis of the development of the risk, the insurance and technical parameters of the insurance policies; on the basis of the statistics of the achieved results and the forecasts for the future development of the company.

The reinsurance programmes of the Company cover the main types of insurance and comply with the general conditions and underwriting rules determined and approved by the company.

SALES CHANNEL

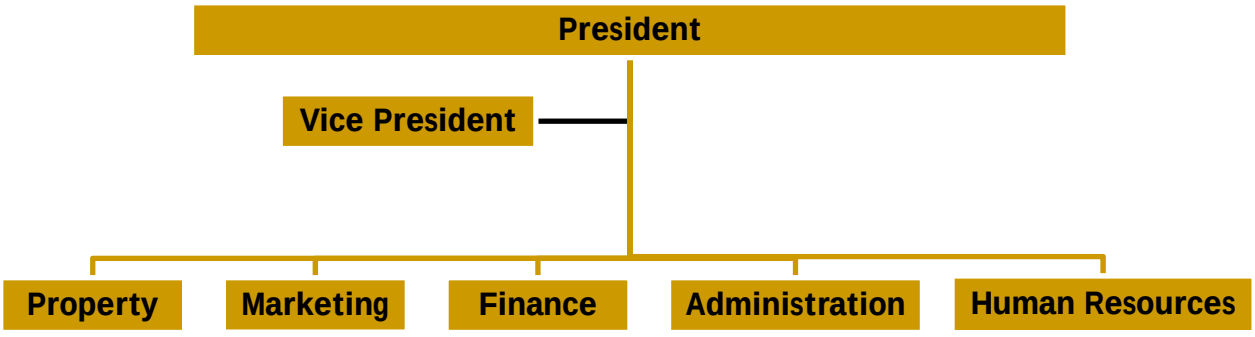
With the head office in Pyongyang, Polestar pursues its operations via 12 Regional Branches and 108 local agencies across the country ensure maximum outreach and complete accessibility to its customer base. It is tapping into this previously distant customer-base thus ever-broadening its experience at the same time.

In 2019, the optimization of the company's sales structure went on with a view to increasing the share of direct sales and sales efficiency through branches and agencies.

ORGANIZATION STRUCTURE

Every staff enjoys the matrix structure of the company, which strongly contrasts with the conventional hierarchy structures.

Innovative ideas from the bottom of Polestar's career ladder are significant for its success.



PERSONNEL

The Company has 122 employees on its payroll as at 31st December 2019. The company has a good number of dedicated and highly professional employees supported by qualified, experienced & technically sound executives. The analysis of the personnel by qualifications and level/type of education shows that the greater part of them are college graduates which accounts for 85% of the company's staff.

MEMBERSHIP

The Company is a member of a number of professional and commercial organization at home.

The Company is also a member of the Federation of Afro-Asian Insurers & Reinsurers "FAIR", a professional organization that is aiming at promoting cooperation among insurance and reinsurance companies in Africa and Asia through the regular exchange of information, expertise and the development of reinsurance relations.

CREDIT RATING

In 2019, Ministry of Finance confirmed that the Company has excellent level of management and financial reliability.

STATEMENT

Vision	To become a capable and professional leading underwriter recognized for its professionalism, integrity and innovation, making the local market as its home ground with credible and quality service!
Mission	To provide a package of insurance services at the level of international standards to protect interests of our clients.
Primary Goal	To always make the right choices in terms of productivity, risk selection, and pricing.
Core Value	**P** - Professionalism **O** - Obligation **L** - Loyalty **E** - Efficiency **S** - Specialization **T** - Transparency **A** - Accountability **R** - Reliability
Business Attitude	Aspiration for greater successes Technological innovation Fresh idea & Approach

BUSINESS REPORT

MESSAGE FROM THE PRESIDENT

On behalf of the Board of Directors and on my own behalf, it gives me an immense pleasure to present our Company's Annual Report for the financial year ended 31st December 2019 as well as to review the performance of our Company during the financial year.

BUSINESS ENVIRONMENT

The same as previous years, 2019 can be described as a year of economic development and growth in our country. 2019 was a historical year when our state and people have greatly demonstrated their indefatigable valour and tremendous potentiality while proudly advancing and leaping in the difficult situation true to the appeal of the Party to open up a great period of upsurge in socialist construction holding higher the unfurled banner of self-reliance.

Last year, there has been a drive of putting the overall national economy on a new high stage with a main emphasis put on accomplishing the sustained economic development, ensuring the local production of equipment, raw and other materials and revitalizing production by boosting the capability of independent development of the country. A new fabulous high rate in construction sector has been ensured throughout the country to build many other structures of lasting significance and beautiful socialist villages including second-stage project of Samjiyon City, Jungphyong Vegetable Greenhouse Farm and the Tree Nursery, the Yangdok Hot Spring Resort and the Phalhyang Dam of the Orangchon Power Station, remarkably demonstrating the might and development potentials of the country. A trend of remarkable growth in all sectors of the national economy and construction boom on the national scale have continued giving a major increase to the fire and engineering premium.

BUSINESS UNDERWRITING FORMANCE

During the period under review, the Company recorded a 13% growth in Gross Written Premium Income from KPW 2,842,105,037 in 2018 to KPW 3,213,157,061 in 2019, largely driven by significant increase in premiums written under Engineering Insurance segment, almost doubling by 93%. A healthy growth rate of between 11% and 2% was achieved in Fire and Credit. Agriculture was the only area where the growth rate was below 2%. The Company continues to perform consistently year on year with the average growth of premium income, for four consecutive years, which is an indicator of the sustainable development of the Company.

The Company's claims payment rose significantly from KPW 3,057,030,319 in 2019 to KPW 1,721,554,005 an increase of 77.57%. In 2019, there were a number of huge claims which were made against the Company following Typhoon "LINGLING" that hits some parts of the country. As a consequence the claims paid during the year were significantly higher than the previous years.

While this sharp rise in claims cost is of concern, I am happy to report that our company met all its claims obligations to their customers promptly, thereby receiving wide applause from its policyholders and the society.

APPRECIATION

We are bigger: in business, in products, in customers, in trust.

Naturally, no these results would be possible without trust from our clients, to whom we are very grateful for loyalty and support. I would like to specially express my appreciation to each and every one of our business partners, particularly our agents, brokers, customers for their precious and sincere dedicated efforts and hard work which contributed to the excellent results in 2019.

I would also like to take this opportunity to pay tribute to each and every member of the Company working with great dedication for their spirit in servicing our customers.

OUTLOOK

In 2020, we will focus our efforts on a stable business growth and we will also continue to seek out new opportunities, working hard to develop our Company range of products.

Fire and Agriculture insurance remains a key part of our business and we will continue to develop and diversify these products and processes to fulfill the needs of our customers.

We expect 2020 to be a positive year for the Company. We will maintain our policy of quality and increasing our volumes of premiums throughout the country.

Kim Kyong Hun

President, Polestar Insurance Company

ASSESSMENT OF THE COMPANY IN 2019

Polestar Insurance Company is an insurer active in non-life insurance, which includes fire, engineering, agriculture, credit and travel insurance protection.

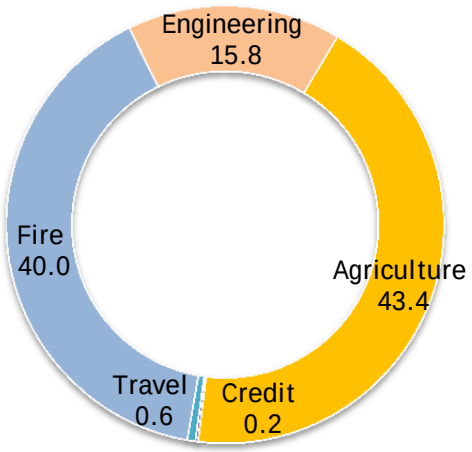
2019's growth strategy has been strong and steady, as we continued to focus our efforts on writing profitable business. We have sought to achieve this through diversifying our channels of distribution, enhancing our existing products, and implementing strong processes targeted at improving our business retention ratios which is the main driver to the growth strategy.

Premium Portfolio and Technical Results

Turnover of the Company was KPW 3,213,157,061 in 2019, representing an increase of KPW 371 million (or 13%) from KPW 2,842,105,037 in 2018.

During the year agriculture insurance commands the biggest share of the total portfolio. This is followed by fire, engineering, travel and credit insurance.

Premium Income by Class (%)



Class	Premium Income (KPW in Million)	Shares (%)
Fire	1,282	40.0
Engineering	509	15.8
Agriculture	1,395	43.4
Credit	7	0.2
Travel	19	0.6
Total	**3,213**	**100.0**

Fire Insurance

In 2019, the rapid growth in the Company's fire insurance segment provided a driving force for the overall business growth of the Company.

As a result of the increase in the number of fire insurance policies, gross premium written from fire insurance business increased by 11.3% on a year-on-year basis and amounted to KPW 1,282,399,006 in 2019. The claims paid amounted to KPW 416,166,772.

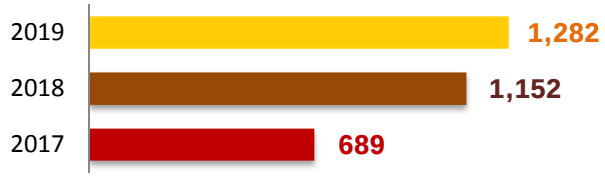
Engineering Insurance

The engineering insurance business developed rapidly with premiums income increased by KPW 508,926,025 on a year-on-year basis.

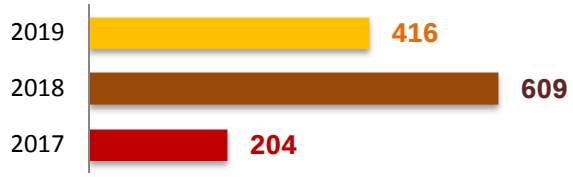
Continuing from 2019, we have expedited our sales diversification strategy, focusing more on engineering insurance. Our branch network now offers engineering products, with our employees well training to manage individual and corporate customer enquiries on our full range of products, with a particular focus on engineering business. As part of this direction we have increased our engineering portfolio due to the long-term relationships we have forged with local construction companies since our establishment.

Fire Portfolio in 2019

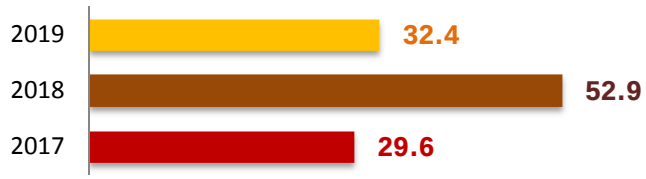
Premium (KPW in Million)



Claims Paid (KPW in Million)

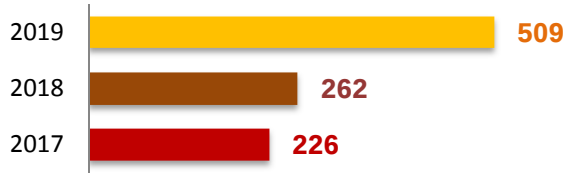


Loss Ratio (%)



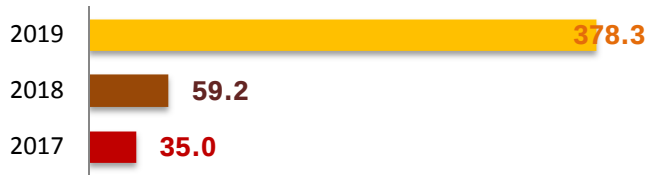
Engineering Portfolio in 2019

Premium (KPW in Million)



Claims Paid (KPW in Million)

Loss Ratio (%)



Agriculture Insurance

The agriculture insurance occupies the biggest share among several insurance classes of our Company.
The gross premium written in this field was down 1.8% in 2019 to KPW 1,395,252,526, while claims paid amounted to KPW 714,150,674.

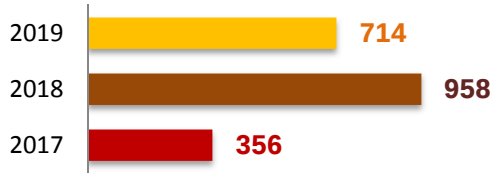
Credit Insurance

Premium at KPW 7,423,904 was at same range with 2018 results of 7,272,144 while claims paid amounted to KPW 1,249,197.

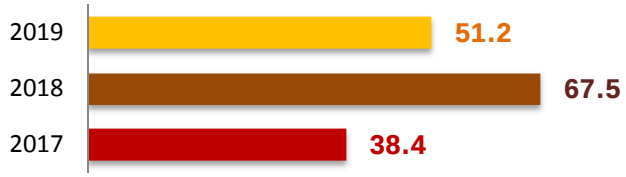
Agriculture Portfolio in 2019

Premium (KPW in Million)

Claims Paid (KPW in Million)



Loss Ratio (%)



Credit Portfolio in 2019

Premium (KPW in Million)

Claims Paid (KPW in Million)

Loss Ratio (%)

Travel Insurance

A new insurance product-travel insurance was developed during the year in 2019 and the premium income amounted to KPW 19,155,600.

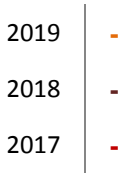
Overall

The Company's total premium income in 2019 was up 13% and reached KPW 3,213,157,061, while claims paid amounted to KPW 3,057,030,319.

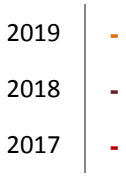
Travel Portfolio in 2019

Premium (KPW in Million)

Claims Paid (KPW in Million)

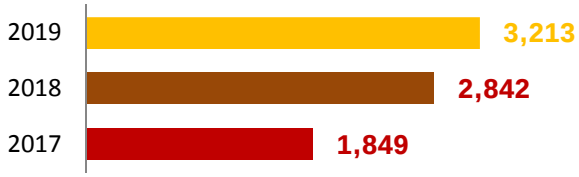


Loss Ratio (%)

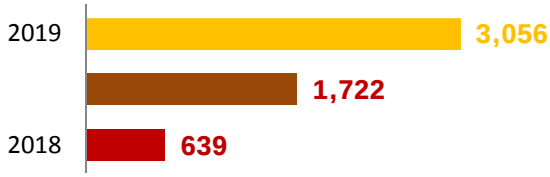


Overall Portfolio in 2019

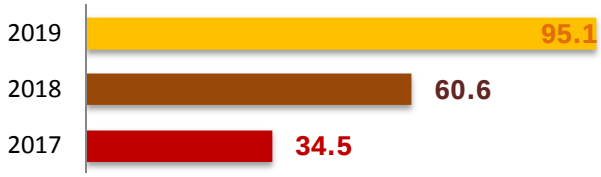
Premium (KPW in Million)



Claims Paid (KPW in Million)



Loss Ratio (%)



HUMAN RESOURCES

DRIVING OUR SUCCESS

Our staff are our most valuable resource and the greatest assets, helping us to achieve our goals and growth aspirations as well as gain a competitive advantage through strong customer interactions.

Polestar demonstrates high levels of appreciation and trust towards its employees, who with their diverse qualifications and personalities ensure our business' success.

We actively encourage intellectual curiosity at Polestar. We are proud to have innovative staff who are always open to new ideas and challenges.

POLICY

Utmost importance is given to our employees as they are the ones to undertake the biggest duty in carrying out the key policies of our new business. For this reason, the primary goal of our human resources policy and practice is to identify our company's needs for personnel in line with its objectives and strategies and assist the creation of human resources that are open to change and are focused on the nearest success by recruiting high-quality people, motivating them, evaluating their performance, and encouraging interaction and communication among individuals and groups.

PERFORMANCE MANAGEMENT

We have introduced a system in which our employees are evaluated every month in line with specific performance criteria. On the basis of the results of these performance evaluations, an employee's training needs are identified and a career plan is developed.

TRAINING

Knowledge and technology are the main pillars on which the Company depends on for realizing the desired development of the domestic insurance industry. Therefore, the Company's principal objective is to focus on adopting new technologies and providing the state-of-the art innovations to all its employees through training and outstanding working environment.

Orientation training and basic insurance training are provided to new-hires; the training programs needed at any stage of their careers are identified for all employees so as to develop and equip them with the competencies called for by their positions.

Apart from managerial careers, the Company also offers its employees to establish themselves within the company as experts.

We are always looking ahead and using long-term planning in order to provide our clients with products and services of a quality exceeding their expectations.

PLANS FOR 2020 BY AREA

The future development of the Company will be directed towards strengthening the company's position as one of the leaders in the insurance market through improved operational performance, greater efficiency through the introduction of new technology and information systems, and staff training.

We will also continue to target profitable local business for positive growth. Additionally, we remain focused on further strengthening internal processes to build on the strong claims handing and customer retention success we have seen in 2019.

Plans for 2020 by area would be as follows.

PRIMARY INSURANCE OPERATIONS:

- ☆ To develop and diversify a new products, upgrade technologies and improve existing insurance products;
- ☆ To keep the existing clients and, if possible, attract new clients for big industrial risks and also proactively develop the insurance of small and medium size business.
- ☆ To foster the efficiency of the company's sales network and enhance the profitability of distribution channels;
- ☆ To restructure sales channels, build an all-rounded sales and service network and strive for the maximisation of the overall effectiveness of the channels.
- ☆ To improve the cost efficiency of the company and branches;
- ☆ To unify and develop IT and process technologies in the company;
- ☆ To formalize risk management in the company;

REINSURANCE OPERATIONS:

- ☆ To improve the quality of the reinsurance portfolio and the combined ratio;
- ☆ To replenish income from the accepted risk premium and to extend and diversify the reinsurance portfolio;
- ☆ To further establish partner relations with the insurance (reinsurance) organizations for reinsurance activity and to acquire international experience and knowledge;

AUDITOR'S REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Polestar Insurance Company ("the Company"). These financial statements comprise the Balance Sheet as at 31st December 2019 and the Income Statement and Cash Flow Statement for the year then ended as set out below.

THE COMPANY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company is responsible for the preparation and fair presentation of these financial statements that give a true and fair view in accordance with the requirement of the Law of DPR Korea on Financial Management and the Public Accounts.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with the Law of DPK Korea on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDIT OPINION

In our opinion, the accompanying financial statements give a true and fair view of the balance sheet of Polestar Insurance Company ("the Company") as at 31st December 2019, and of the Company's Income Statement and cash flows for the year then ended in accordance with the Law of DPK Korea on Auditing.

Pyongyang, 25th March, 2020

Han Myong Il, Director, Auditing Office, DPR Korea

O Un Hyang, Manager, Auditing Office, DPR Korea

Balance Sheet

Balance Sheet as at 31 December 2019

All figures in KPW

No	ASSETS	2017	2018	2019
1	Property, plant and equipment	**185,920,000**	**186,544,000**	**194,776,000**
2	Intangible assets	**12,169,600**	**12,207,040**	**13,412,960**
3	Cash and cash equivalents	**7,907,623,208**	**8,659,038,178**	**8,764,607,867**
4	Trade and other receivables	**30,000,000**	**14,210,525**	**7,395,000**
5	Other receivables and Prepayments	**-**	**345,825**	**365,038**
	Total assets	**8,135,712,808**	**8,872,345,568**	**8,980,556,865**
No	**EQUITY AND LIABILITIES**	**2017**	**2018**	**2019**
1	**Equity**	**7,601,805,492**	**8,046,057,819**	**7,914,271,619**
1)	Paid-up capital	3,000,000,000	3,000,000,000	3,000,000,000
2)	Organization fund	2,000,000,000	2,000,000,000	2,000,000,000
3)	Reserves	2,000,000,000	2,000,000,000	2,000,000,000
4)	Retained earnings	21,697,862	601,805,492	1,046,057,819
5)	Profit or loss for the period/year	580,107,630	444,252,327	(131,786,200)
2	**Gross underwriting provisions**	**486,472,173**	**748,622,096**	**973,119,845**
1)	Provision for unearned premium	457,572,173	710,822,096	895,619,845
2)	Provisions for outstanding claims	28,900,000	37,800,000	77,500,000
3	**Total liabilities**	**47,435,143**	**77,665,653**	**93,165,401**
	Total equity and liabilities	**8,135,712,808**	**8,872,345,568**	**8,980,556,865**

Income Statement

Income Statement for the Year Ended 31 December 2019

All figures in KPW

		2017	2018	2019
1	Net earned premium	1,568,419,534	2,516,255,759	2,819,703,771
1)	Gross premium written	1,848,775,206	2,842,105,037	3,213,157,061
2)	Change in unearned premium	(267,603,758)	(253,249,923)	(184,797,749)
3)	Reinsurance premium	(12,751,914)	(72,599,355)	(208,655,541)
2	Other income	30,000,000	30,462,840	77,892,948
3	Net claims incurred	(667,306,655)	(1,745,143,480)	(2,808,090,201)
1)	Claims incurred	(638,406,655)	(1,721,554,005)	(2,737,985,201)
2)	Outstanding losses	(28,900,000)	(23,589,475)	(70,105,000)
4	Management expenses	(101,878,693)	(166,098,938)	(220,191,719)
5	Other expenses	(509,000)	(830,000)	(1,101,000)
6	Result before payment to state	828,725,186	634,646,181	(131,786,200)
7	Payment to state	(248,617,556)	(190,393,854)	-
	Profit after payment to state	580,107,630	444,252,327	(131,786,200)

Cash Flow

Cash Flow Statement for the Year Ended 31 December 2019

All figures in KPW

		2017	2018	2019
1	**Operating activities**			
1)	Cash generated from operations	1,141,658,352	942,470,264	115,007,609
2)	Payment to state	(248,617,556)	(190,393,854)	-
	Net cash flows from operating activities	893,040,796	752,076,410	115,007,609
2	**Investing activities**			
1)	Purchase of property, plant and equipment	(84,480,000)	(624,000)	(8,232,000)
2)	Purchase of intangible assets	(5,068,800)	(37,440)	(1,205,920)
	Net cash flows from investing activities	(89,548,800)	(661,440)	(9,437,920)
3	**Financial activities**			
	Net cash flows from investing activities	-	-	-
4	**Net change in cash and cash equivalents**	**803,491,996**	**751,414,970**	**105,569,689**
5	**Cash and cash equivalents at beginning of year**	**7,104,131,212**	**7,907,623,208**	**8,659,038,178**
Cash and cash equivalents at end of year		**7,907,623,208**	**8,659,038,178**	**8,764,607,867**

Please feel free to contact us, if interested.

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